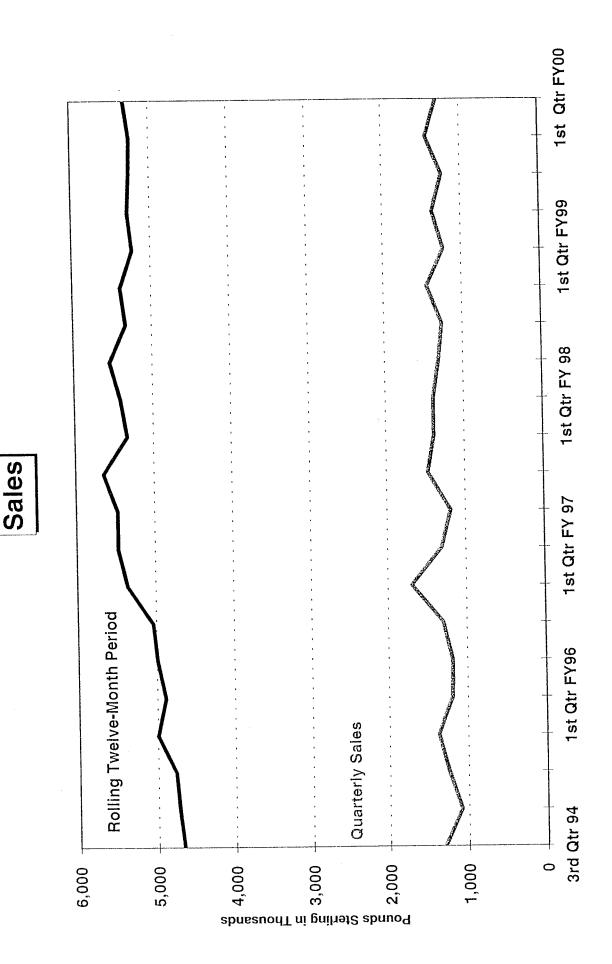
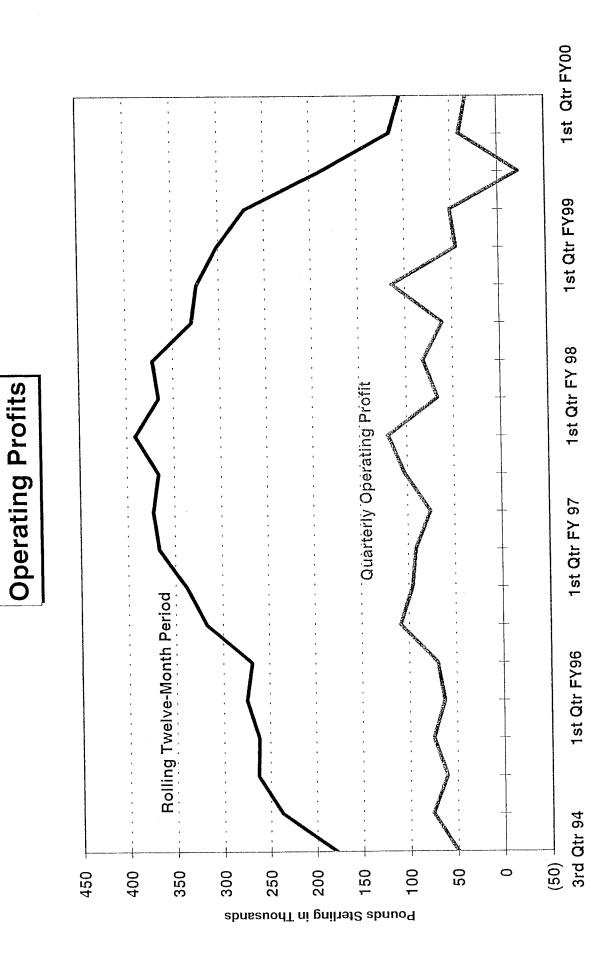
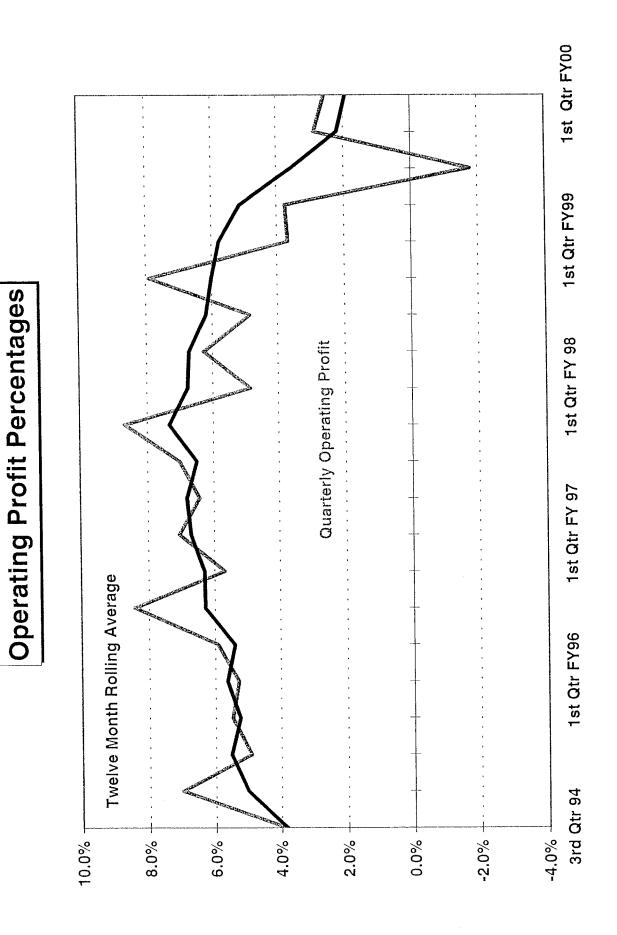
Mitchell, Shackieton & Co. Ltd.



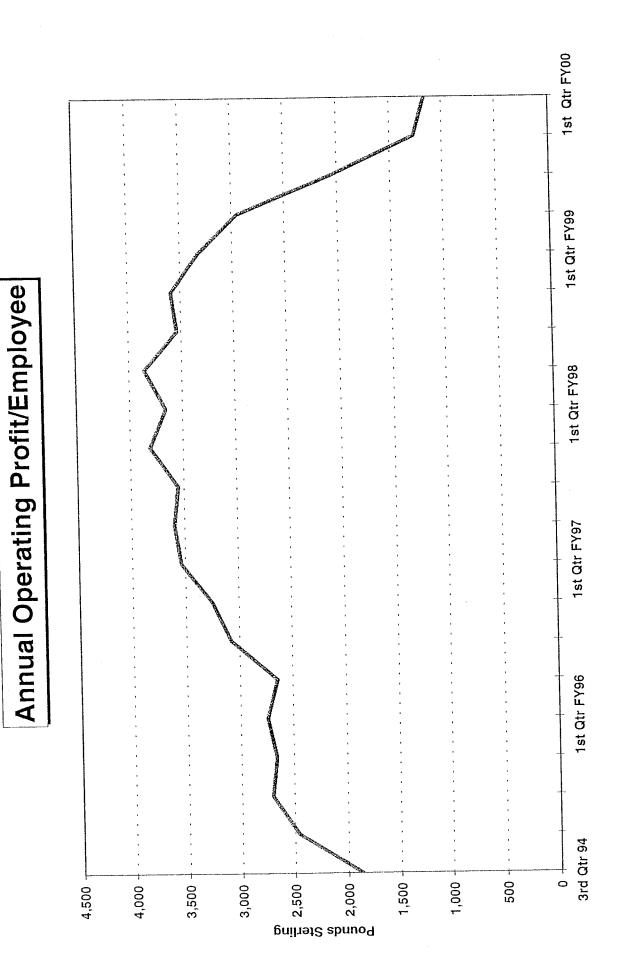
Mitchell, Shackieton & Co. Ltd.



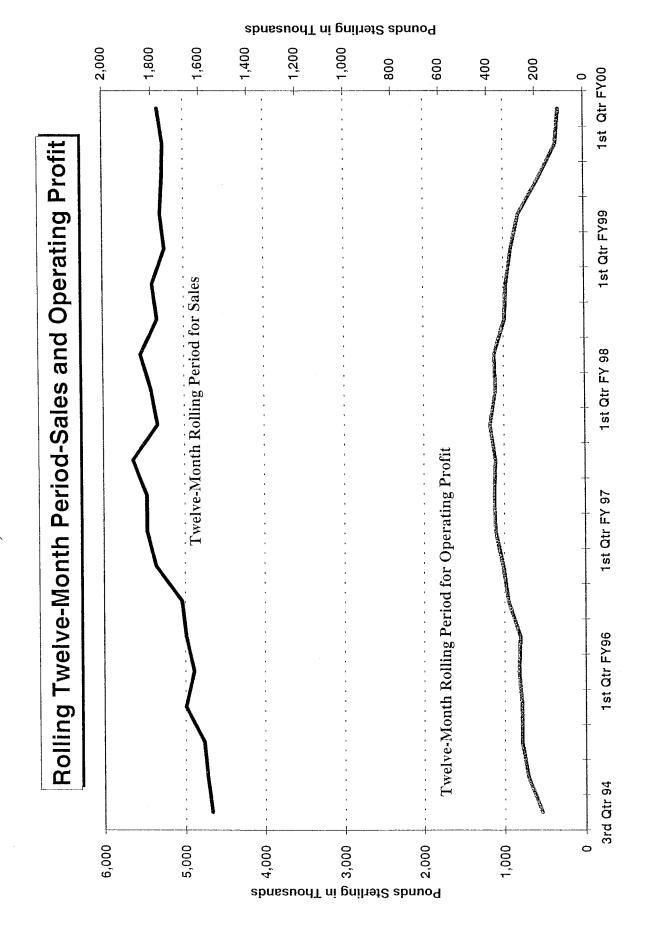
Mitchell, Shackieton & Co. Ltd.



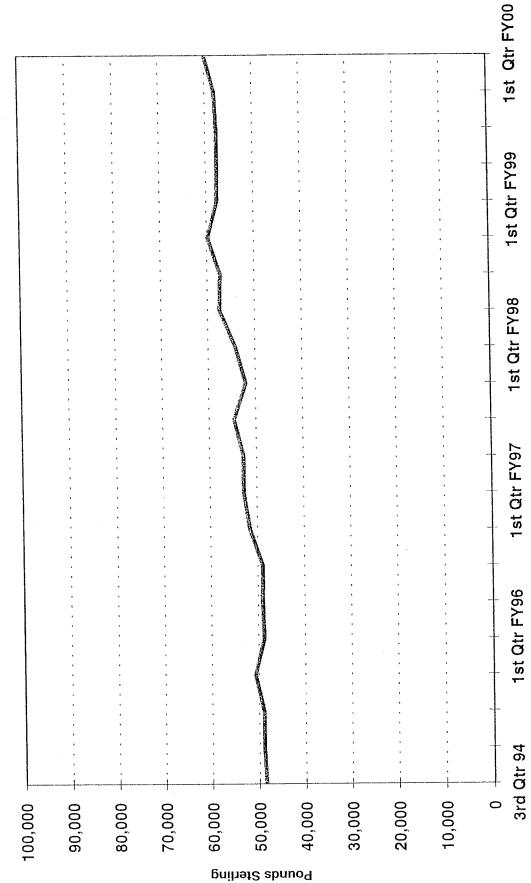
Mitchell, Shackieton & Co. Ltd.



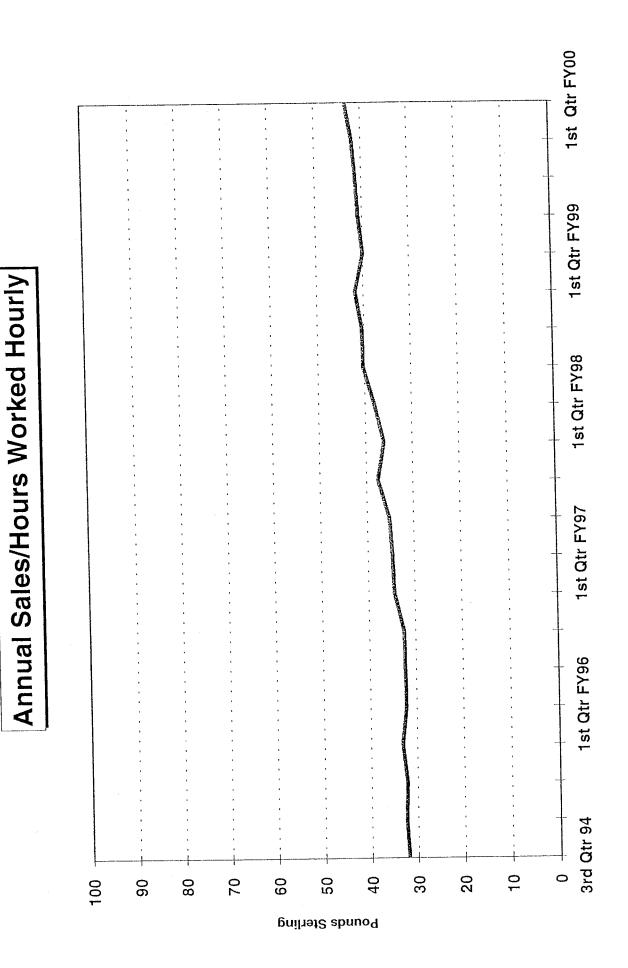
Mitchell, Shackleton & Co. Ltd.



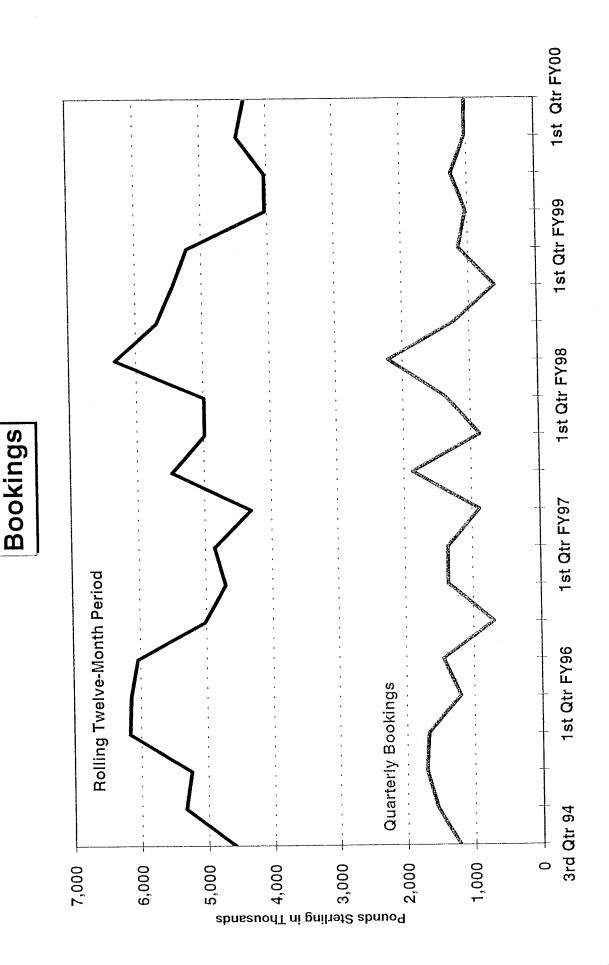
Mitchell, Shackieton & Co. Ltd. Annual Sales/Employee



Mitchell, Shackieton & Co. Ltd.

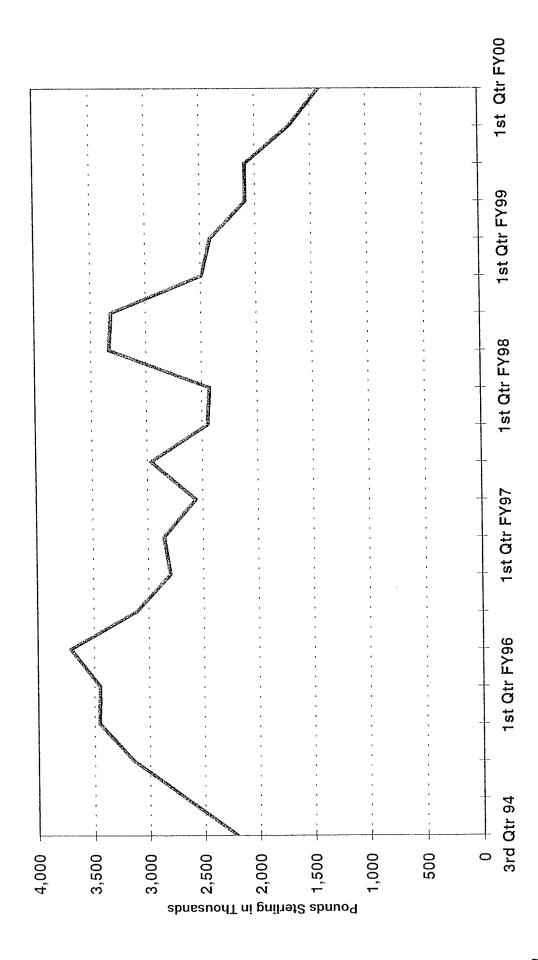


Mitchell, Shackieton & Co. Ltd.



Mitchell, Shackieton & Co. Ltd.

Quarter Ending Backlog



LLC 10/21/99

North Wes gemasters Ltd.
A Subsidiary of Namonal Forge Europe Ltd.
Results of Operations
For the first quarter ended September 30, 1999 and September 30, 1998

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	FY 00 Business Plan	\$4,458	4,458	2,064	270	6/3	3,007	1,451	262	503	989	0	40	\$646		100.0%	46.3	6.1	15.1	0.0	5.70	32.5	7.71	15.4	0.0	14.5	
	% Better or (Worse) Than FY 99	(48.4) % (60.0)	(48.4)	55.7	14.5	12.9	48.1	(49.2)	43.1	22.6	(67.1)	0.0	(100.0)	(68.6) %													
	Better or (Worse) Than FY 99	(\$725)	(728)	492	10	16	518	(210)	28	31	(151)	0	(2)	(\$153)		0.0%	8.3	(3.0)	(5.7)	0.0	(0.4)	(0.4)	(5.0)	(5.4)	0.0	(0.4)	(0.0)
	First Quarter FY 1999	\$1,498	1,503	883	69	124	1.076	427	65	137	225	0	2	\$223		100.0%	58.7	4.6	8.3	0.0	71.6	28.4	13.4	15.0	0.0	1.0	14.8
(dollars in thousands)	% Better or (Worse) Than Plan	(23.1) %	(22.9)	15.9	3.3	28.9	0.0	(33.6)	43.1	14.5	(46.4)	0.0	33.3	(47.0) %	As a percent of net sales												
(dollars	Better or (Worse) Than Plan	(\$232)	(230)	74	2	4 (120	(110)	, 28	18	(64)	0	2	(\$62)	Asa	0.0%	(4.2)	(1.5)	1.2	0.0	(4.5)	(4.5)	0.4	(4.2)	0.0	0.1	(4.1)
	First Quarter FY 00 Plan	\$1,005	1,005	465	61	152	0 878	327	65	124	138	0	9	\$132		100.0%	46.3	6.1	15.1	0.0	67.5	32.5	18.8	13.7	0.0	9.0	13.1
	First Quarter FY 2000	\$773	775	391	59	108	0	217	37	106	74	0	4	\$70		100.0%	4. 04	7.6	13.9	0.0	72.0	28.0	18.5	9.5	0.0	0.5	9.0
		Sales-customers	Sales-intercompany Net Sales	Cost of sales:	Malchai	Overhead	Errors and defects	Cost of sales	Cross pront	Schnig Administrative	Operating profit	Other expense (income)	Interest expense (income)	Pre-tax profit		Net Sales	Cost of sales:	Matchai	Overhead	Errors and defects	Cost of sales	Gross profit	Selling and administrative	Operating profit		Interest expense (income)	Pre-tax profit

North West Forgemasters Ltd.

Subsidiary of National Forge Europe Ltd.

Balance Sheet

	September 30, 1999 Actual	September 30, 1998 Actual
ASSETS	Actual	·
Current Assets:		
Cash and cash equivalents	\$0	\$0
Accounts receivable	781	1,518
Intercompany receivables	1,003	600
Inventories:		
Work in process	137	197
Supplies	140	155
Total Inventories	277	352
Prepaid expenses	0	0
Total Current Assets	2,061	2,470
Property, Plant and Equipment - net	479	547
Other Assets	0	0
TOTAL ASSETS	\$2,540	\$3,017
LIABILITIES		
Current Liabilities:		
Notes payable	\$357	\$129
Current portion of long term debt	0	0
Accounts payable	576	1,003
Salaries, wages and commissions	0	0
Accrued taxes on income	384	265
Accrued pension	0	0
Customer deposits	0	0
Other accrued liabilities	58	117
Total Current Liabilities	1,375	1,514
Long Term Debt	0	0
Intercompany Payables	0	0
TOTAL LIABILITIES	1,375	1,514
SHAREHOLDERS' EQUITY		
Common Stock	2	2
Additional Paid in Capital	1,004	1,004
Retained Earnings (Deficit)	173	452
Foreign Currency Translation Adjustment	(14)	45
-		
TOTAL COMMON SHAREHOLDERS' EQUITY	1,165	1,503
TOTAL LIABILITIES AND EQUITY	\$2,540	\$3,017
WORKING CAPITAL	\$686	\$956

North West Forgemasters Ltd. Subsidiary of National Forge Europe Ltd. Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

	First qua	orter
	FY 2000	FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	\$49	\$153
Adjustment to reconcile net income to net cash		
provided by operating activities:		
Depreciation	16	11
Deferred taxes	0	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	8	33
(Increase) decrease in inventories	0	167
(Increase) decrease in prepaid expenses	0	0
Increase (decrease) in accounts payable	(64)	(43)
Increase (decrease) in income taxes	37	20
Increase (decrease) in customer deposits	0	0
Increase (decrease) in all other current liabilities		
(excluding borrowings)	30	27
Other net	0	0
Net Cash Provided By (Used For) Operating Activities	76	368
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	(2)	(25)
Net Cash Used In Investing Activities	(2)	(25)
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	193	(99)
Dividend payment	(262)	0
Increase (decrease) in intercompany account	(42)	(263)
Net Cash Provided By Financing Activities	(111)	(362)
Change in cumulative foreign currency		
translation adjustment	37	19
Increase (Decrease) In Cash And Cash		
Equivalents	<u>\$0</u>	\$0

LLC 10/27/99

National | Europe, Ltd.
Including Only North West Forgemasters Ltd.

Results of Operations For the first quarter ended September 30, 1999 and September 30, 1998 (dollars in thousands)

Sales-customers Sales-intercompany	First Quarter FY 2000	First Quarter	Better or	% Better or (Worse)	First Quarter	Better or (Worse)	% Better or (Worse)	FY 00 Business
s-customers s-intercompany	7	FY OO Plan	Than Plan	(Horse) Than Plan	FY 1999	Than FY 99	Than FY 99	Plan
:s-customers :s-intercompany				# \\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	41 408	(\$77\$)	(48.4) %	\$4.458
s-intercompany	\$773	\$1,005	(\$232)	0.0	5	(3)	(60.0)	0
Not Color	775	1,005	(230)	(22.9)	1,503	(728)	(48.4)	4,458
Oditos • of color:								6
Cost of sales:	391	465	74	15.9	883	492	55.7	2,064
Material	0.5	61	7	3.3	69	10	14.5	270
Labor	108	152	4	28.9	124	16	12.9	673
Overneau Essons and defeate	0	0	0	0.0	0	0	0.0	0
silois and delects	558	678	120	17.7	1,076	518	48.1	3,007
COSt OI SAIGS	717	327	(110)	(33.6)	427	(210)	(49.2)	1,451
Gross pront	177	1	300	43.1	65	28	43.1	262
Selling	. 3/	05 136	17	12.5	139	20	14.4	551
Administrative	III	001	(55)	(51.6)	223	(162)	(72.6)	638
Operating profit	10	971	(60)	(0.10)		, ,	` o r	297
Other expense (income)	74	74	0	0.0	//	O 64	7.17	, 45°
Interest expense	92	82	9	7.3	129	33	#1.1 # (# 00)	(14)
Pre-tax profit (loss)	(883)	(\$30)	(\$58)	(196.7) %	\$17	(\$106)	(073.3) %	(14)
			As a per	As a percent of net sales				
	100 00%	100 0%	0.0%		100.0%	0.0%		100.0%
Sales	2/2/201							
Cost of sales:	1	,	6		58.7	E. 00		46.3
Material	50.5	40.3	(4.4)		4.6	(3.0)		6.1
abor	0.7	1.0	(1:1)) (r	(5.7)		15.1
Overhead	13.9	15.1	7: 0		G:0	0.0		0.0
3rrors and defects	0.0	0.0	0.0					5 29
Cost of sales	72.0	67.5	(4.5)		/1.6	(0.4)		3 00
oss profit	28.0	32.5	(4.5)		28.4	(0.4)		0.40
ing and administrative	20.1	20.0	(0.1)		13.6	(6.6)		18.7
erating profit	7.9	12.5	(4.7)		14.8	(7.0)		14.3
omooni (income)	6.9	7.4	(2.2)		5.1	(4.4)		6.7
iei expense (meome) rest expense	8.6	8.2	(1.6)		8.6	(1.2)		8.7
tax profit (loss)	(11.5)	(3.0)	(8.5)		1.1	(12.6)		(0.2)
Net Sales Cost of sales: Material Labor Overhead Errors and defects Cost of sales Gross profit Selling and administrative Operating profit Other expense (income) Glinterest expense Pre-tax profit (loss)	50.5 7.6 13.9 0.0 72.0 28.0 20.1 7.9 9.5 9.5	100.0% 46.3 6.1 15.1 0.0 67.5 32.5 20.0 12.5 7.4 8.2	0.0% (4.2) (1.5) (1.5) (1.6) (0.1) (4.7) (2.2) (1.6) (1.6)		100.0% 58.7 4.6 8.3 0.0 71.6 13.6 14.8 5.1 8.6		8.3 (3.0) (5.7) 0.0 (0.4) (0.4) (6.6) (12.0)	8.3 (3.0) (5.7) 0.0 (0.4) (6.6) (7.0) (4.4) (12.6)

National Forge Europe Ltd.

Subsidiary of National Forge Company

Balance Sheet

	September 30, 1999 Actual	September 30, 1998 Actual
ASSETS	Titter	
Current Assets:		
Cash and cash equivalents	\$473	\$395
Accounts receivable	3	0
Intercompany receivables	0	0
Inventories:		0
Work in process	0	0
Supplies	0	0
Total Inventories	. 0	0
Prepaid expenses	3	0
Total Current Assets	479	395
Property, Plant and Equipment - net	0	0
•	5,108	5,108
Investment in subsidiaries	5,106	0,108
Other Assets Goodwill	5,503	5,993
Goodwiii		
TOTAL ASSETS	\$11,090	\$11,496
LIABILITIES		
Current Liabilities:		
Notes payable	\$0	\$0
Current portion of long term debt	1,138	1,112
Accounts payable	20	10
Salaries, wages and commissions	(195)	0 (42)
Accrued taxes on income	(185) 0	(42)
Other accrued liabilities	V	· · · · · · · · · · · · · · · · · · ·
Total Current Liabilities	973	1,080
Long Term Debt	3,503	4,413
Intercompany Payables	1,191	731
TOTAL LIABILITIES	5,667	6,224
SHAREHOLDERS' EQUITY		
Common Stock	5,709	5,709
Additional Paid in Capital	0	0
Retained Earnings (Deficit)	(301)	(447)
Foreign Currency Translation Adjustment	15	10
TOTAL COMMON SHAREHOLDERS' EQUITY	5,423	5,272
TOTAL LIABILITIES AND EQUITY	\$11,090	\$11,496
WODEDIC CAREELY	(\$494)	(\$685)
WORKING CAPITAL	(4749)	(400.3)

National Forge Europe Ltd. A Subsidiary of National Forge Company

Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

Cash Flows From Operating Activities: Ky 1000 Fy 1000 Fy 1000 Net income (loss) \$128 (\$168) Adjustment to reconcile net income to net cash provided by operating activities: 0 0 Deferciation 0 0 0 Deferred taxes 0 0 0 Amortization 74 77 Change in assets and liabilities: (II) 0 0 (Increase) decrease in accounts receivable (II) 0 0 (Increase) decrease in inventories 0 0 0 (Increase) decrease in prepaid expenses 0 3 3 34 Increase (decrease) in accounts payable (15 (85) 3 3 34 Increase (decrease) in content accounts 0		First quar	ter
Net income (loss)			
Net income (loss)	Cash Flows From Operating Activities:		
Adjustment to reconcile net income to net cash provided by operating activities: Depreciation 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		\$128	(\$168)
Depreciation			
Depreciation 0 0 Deferred taxes 0 0 Amortization 74 77 Change in assets and liabilities:			
Deferred taxes 0 0 Amortization 74 77 Change in assets and liabilities: 70 70 (Increase) decrease in accounts receivable (I) 0 0 (Increase) decrease in inventories 0 0 3 (Increase) decrease in prepaid expenses 0 3 3 Increase (decrease) in accounts payable (15) (85) Increase (decrease) in customer deposits 0 0 Increase (decrease) in customer deposits 0 0 Increase (decrease) in dustomer deposits 0 0 (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities (82) (254) Cash Flows From Investing Activities 0 0 Cash Flows From Financing Activities 0 0 Cash Flows From Financing Activities 196 105 Increase (decrease) in intercompany account 84 346	•	0	0
Amortization 74 77 Change in assets and liabilities:	-	0	0
Change in assets and liabilities: (Increase) decrease in accounts receivable (I) 0 (Increase) decrease in inventories 0 0 (Increase) decrease in inventories 0 3 Increase (decrease) in income taxes (33) 34 Increase (decrease) in customer deposits 0 0 Increase (decrease) in customer deposits 0 0 Increase (decrease) in all other current liabilities (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment 0 0 Net Cash Used In Investing Activities: 0 0 Cash Flows From Financing Activities: 3 196 105 Increase (decrease) in intercompany account 84 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash 6 6		74	77
(Increase) decrease in accounts receivable (1) 0 (Increase) decrease in inventories 0 0 (Increase) decrease in prepaid expenses 0 3 Increase (decrease) in accounts payable (15) (85) Increase (decrease) in customer deposits 0 0 Increase (decrease) in all other current liabilities 0 0 (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment 0 0 Net Cash Used In Investing Activities 0 0 Cash Flows From Financing Activities: 3 10 Additional (repayment of) borrowings 196 105 Increase (decrease) in intercompany account 84 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash			
(Increase) decrease in inventories 0 0 (Increase) decrease in prepaid expenses 0 3 Increase (decrease) in accounts payable (15) (85) Increase (decrease) in income taxes (33) 34 Increase (decrease) in customer deposits 0 0 Increase (decrease) in all other current liabilities 0 0 (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: 0 0 Net Cash Used In Investing Activities 0 0 Cash Flows From Financing Activities: 3 196 105 Increase (decrease) in intercompany account 84 346 Oke Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash 6 6		(1)	0
(Increase) decrease in prepaid expenses 0 3 Increase (decrease) in accounts payable (15) (85) Increase (decrease) in income taxes (33) 34 Increase (decrease) in customer deposits 0 0 Increase (decrease) in all other current liabilities 0 0 (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment 0 0 Net Cash Used In Investing Activities: 0 0 Cash Flows From Financing Activities: 3 10 Additional (repayment of) borrowings 196 105 Increase (decrease) in intercompany account 84 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash 6 6	•	0	0
Increase (decrease) in accounts payable (15) (85) Increase (decrease) in income taxes (33) 34 Increase (decrease) in customer deposits 0 0 Increase (decrease) in all other current liabilities 0 0 (excluding borrowings) 0 0 Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment 0 0 Net Cash Used In Investing Activities: 0 0 Cash Flows From Financing Activities: 34 346 Increase (decrease) in intercompany account 34 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash 6 6		0	3
Increase (decrease) in income taxes Increase (decrease) in customer deposits Increase (decrease) in all other current liabilities (excluding borrowings) Other net Cash Provided By (Used For) Operating Activities (Additions) reductions of property, plant and equipment Net Cash Used In Investing Activities: (Additional (repayment of) borrowings Increase (decrease) in intercompany account Net Cash Provided By Financing Activities Cash Provided By Financing Activities Additional (repayment of) borrowings Increase (decrease) in intercompany account Increase (decrease) in intercompany account Increase (decrease) In Cash And Cash		(15)	(85)
Increase (decrease) in customer deposits Increase (decrease) in all other current liabilities (excluding borrowings) Other net Cash Provided By (Used For) Operating Activities (Additions) reductions of property, plant and equipment Other Cash Used In Investing Activities Cash Flows From Financing Activities Additional (repayment of) borrowings Increase (decrease) in intercompany account Net Cash Provided By Financing Activities Change in cumulative foreign currency translation adjustment Increase (Decrease) In Cash And Cash		(33)	34
Increase (decrease) in all other current liabilities (excluding borrowings) Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment O Other net Oth		0	0
(excluding borrowings)00Other net(235)(115)Net Cash Provided By (Used For) Operating Activities(82)(254)Cash Flows From Investing Activities:(Additions) reductions of property, plant and equipment00Net Cash Used In Investing Activities00Cash Flows From Financing Activities:3196105Increase (decrease) in intercompany account84346Net Cash Provided By Financing Activities280451Change in cumulative foreign currency translation adjustment86Increase (Decrease) In Cash And Cash			
Other net (235) (115) Net Cash Provided By (Used For) Operating Activities (82) (254) Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment 0 0 Net Cash Used In Investing Activities: Additional (repayment of) borrowings Increase (decrease) in intercompany account 84 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash		0	0
Cash Flows From Investing Activities: (Additions) reductions of property, plant and equipment Net Cash Used In Investing Activities Cash Flows From Financing Activities: Additional (repayment of) borrowings Increase (decrease) in intercompany account Net Cash Provided By Financing Activities Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash		(235)	(115)
(Additions) reductions of property, plant and equipment00Net Cash Used In Investing Activities00Cash Flows From Financing Activities:	Net Cash Provided By (Used For) Operating Activities	(82)	(254)
(Additions) reductions of property, plant and equipment00Net Cash Used In Investing Activities00Cash Flows From Financing Activities:	Cash Flows From Investing Activities:		
Cash Flows From Financing Activities: Additional (repayment of) borrowings 196 105 Increase (decrease) in intercompany account 84 346 Net Cash Provided By Financing Activities 280 451 Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash		0	0
Additional (repayment of) borrowings Increase (decrease) in intercompany account Net Cash Provided By Financing Activities Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash	Net Cash Used In Investing Activities	0	0
Increase (decrease) in intercompany account Net Cash Provided By Financing Activities Change in cumulative foreign currency translation adjustment 84 346 Associated by Financing Activities 280 451 Increase (Decrease) In Cash And Cash	Cash Flows From Financing Activities:		
Net Cash Provided By Financing Activities Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash	Additional (repayment of) borrowings	196	
Change in cumulative foreign currency translation adjustment 8 6 Increase (Decrease) In Cash And Cash	Increase (decrease) in intercompany account	84	346
Increase (Decrease) In Cash And Cash	Net Cash Provided By Financing Activities	280	451
Increase (Decrease) In Cash And Cash	Change in cumulative foreign currency		
	translation adjustment	8	6
Equivalents \$206 \$203	Increase (Decrease) In Cash And Cash		
	Equivalents	\$206	\$203

NORTH WEST FORGEMASTERS LTD.

QUARTERLY REPORT TO NATIONAL FORGE COMPANY BOARD OF DIRECTORS

OCTOBER, 1999

1. FINANCIAL UPDATE

The trading performance achieved in the first quarter of FY2000 continues to be disappointing with sales representing only 78 percent of Business Plan and 74 percent of the comparative actual figure for the previous year though to some extent this was distorted by the inclusion of flanges in the early part of FY99.

This reduction in volume together with increased pressure on margins has resulted in the return on sales falling below 10 percent.

Whilst it would be possible to reduce costs by declaring a small redundancy exercise, it is currently considered more important to retain the skills and focus upon a number of marketing initiatives to increase sales.

A comparison with the previous year reveals that the pre-tax net profit is £12,000 higher, however, it is considered very unlikely that the current Business Plan projections of £2,750,000 sales and a pre-tax profit of £402,000 are achievable. The revised forecast will be included in the three-year strategic plan, which is currently being compiled.

3 MONTHS ENDED SEPTEMBER, 1999

£000's

1st Quarter		1 st Q	uarter
FY 1999		FY 2000	FY 2000
Actual		Actual	Business Plan
£655	Sales	£483	£620
£154	Manufacturing Profit	£134	£201
23.5%	% of Sales	27.7%	32.4%
£32	Trading Profit	£45	£85
£31	Net Profit	£43	£81
4.7%	Return on Sales	8.9%	13.1%
66.0%	Return on Net Assets	54.8%	103.2%
£76	Net External Borrowings	£217	£307
£501	Capital Employed	£705	£495

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Filed 09/26/2005

2. **OPERATIONAL REVIEW**

Employee levels have remained consistent throughout the quarter with overtime kept to a minimum in line with meeting customer delivery requirements. Due to low workloads, we have not experienced any difficulties with machine tool loading or critical areas of plant.

The increased order levels at North West Flanges have recently benefited the vertical boring section which is carrying out sub-contract machining of large flanges on their behalf. This area has traditionally been very short of work since the flange business was transferred to Patricroft.

One area of management concern still revolves around the installation of the new computer system which is running behind schedule. Whilst this issue is being dealt with, data retrieval in many areas is still being carried out manually which is inefficient and time consuming for all concerned.

MARKETING. 3.

Orders received in the quarter amounted to £473,000, which is a very modest 4 1/2% better than the last quarter and some significant way below Business Plan projections. Sales for the same period were £483,000. The low backlog of orders for some time now means that as a rule of thumb this month's order intake equals next month's sales.

It has been decided that our external sales person Richard Price, should be encouraged to increase his area coverage and he has already made visits in the North East of England to target accounts. Enquiries have been received but we have still to convert these to orders.

The recent changes at Ulstein following their acquisition by Vickers are still causing concern. This has been complicated further by Rolls Royce acquiring the newly formed Vickers Ulstein Marine Systems Company. We have recently received a copy press release from Vickers Ulstein, which expresses greater optimism for UK component manufacture but does not expand on the impact of Rolls Royce's involvement. Alstom Energy also remains an uncertainty as we await further developments from ABB with regard to the future of the Stafford site. The remainder of our major accounts are still holding up well in the light of the difficult trading conditions, particularly considering the continuing strength of sterling.

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4. STRATEGIC PLANNING

We have finally received the results of our enquiry with the Chamber of Commerce with regard to finding potential agents in the Norwegian market place. Nine companies have expressed an interest in further discussions and sixteen companies have shown no interest. Of the sixteen companies who did not wish to consider agency agreements, one has already placed an order generating sufficient profit to pay for half the exercise. The remainder of the cost will be recovered in grants when we visit Norway.

From early discussions on the three year strategic plan, it has been very apparent that we will have to actively pursue a number of marketing initiatives, perhaps the most obvious of which would be to seek an additional sales person who can bring new accounts/products to North West Forgemasters. This has further been reinforced by the success of this exercise at North West Flanges.

I. Thomas Managing Director IT/BE 19 October, 1999

National Forge C ay Holdings, Inc. Consolidating Results of Operations First Quarter Ended September 30, 1999

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NFC Holdings, Inc. Consolidated	\$18,037	0	18,037	15,295	2,742	798	1,467	477	371	458	· (£)		(347)	(6)	(\$338)	\$111		\$919		\$808	
National Forge Europe, Ltd.	0\$	262	262	0	797	0	13	249	74	72	c		103	(25)	\$128	\$175		\$175		0\$	
North West Forgemasters, Ltd.	\$773	7	775	558	217	37	106	74	0	4			70	21	\$49	\$74		06\$		\$16	
Global Crankshaft Services Ltd.	\$45	0	45	29	16	5	29	(18)	0		a ((5)	(15)	(9)	(\$3)	(\$13)		(25)		9\$	
Mitchell Shackleton & Co., Ltd.	\$2.064	7	2,066	1,712	354	57	243	54	C	ט ר	C4	0	29	0	\$29	\$54		\$135	0.110	\$81	
National Forge	Compound, mc.	0	95	88	7	C	19	(12)		વે હ	n	0	(13)		(\$14)	(\$10)		£\$((14)	\$3	
NFC Irvine	Figure	000,014	15,060	12,912	2,148	700	1,057	202	700	529	352	0	(259)	ì	(\$259)	26\$		i d	56/8	\$702	
		Sales-Customers Sales-Intercompany/Dividends	Net sales	Cost of sales	Gross profit		Selling Administrative		Operating profit (loss)	Other deductions (income)	Interest	Minority interest	Des tow profit (loss)	rie-tax profit (1033)	Taxes Net profit (loss)	Income before:	HIELESI AHU TANUS	Interest, Taxes	and Depreciation	Total Degressiation	I orai Depreciation

* NFC Irvine Plant also includes the results of National Forge Export, LTD, and NFIP, Inc.

National Forge 17 Holdings, Inc.
Consolidatus, salance Sheet
As of September 30, 1999
(dollars in thousands)

	NFC Irvine Plant *	National Forge Components, Inc.	Mirchell Shackleton & Co., Ltd.	Giobal Crankshaft Services Ltd.	North West Forgemasters, Ltd.	National Forge Europe, Ltd.	NFC Holdings, Inc.	NFC Holdings, Inc. Consolidated
ASSETS							:	
Current Assets:	\$49	\$0	88.00	\$0	\$0	\$473 3) (2, 0	14,011
Cash and cash equivalents Accounts receivable	10,409	62	2,634 (72)	0	1,003	00	8,164	0 16.197
Intercompany receivables Inventories	14,731	,04	1,186	m m	0	m c	0	796
Prepaid expenses	784		3 753	128	2,061	419	8,164	31,531
Total Current Assets	26,389	8		ā	479	0	0	30,481
Property, Plant and Equipment - net	25,894	85	3,932 125	0	0	5,108	1,601	9.221
Investment in subsidiaries Other Assets	8,552	, N C	667 0	0 69	0 0	5,503	0	9,739
Goodwill TOTAL ASSETS	\$71,774	\$155	\$8,477	\$288	\$2,540	\$11,090	\$9,765	\$80,972
LIABLITIES	l							
Current Liabilities:	- 1	Ç	\$715	\$66	\$357	\$0	0\$	\$3,733
Notes payable	3,229	2 0	296	0	0	1,138	0	5,180
Current portion of long term debt Accounts payable	3,536	0	968 387	18	442	(185)	28	8,892
Other accrued liabilities	20110		2.366	163	1,375	973	2	22,468
Total Current Liabilities	17,526	•		c	c	3,503	0	16,747
Long Term Debt	13,076	00	168	0	0	0	0	(805)
Pension and Other Noncurrent Liabilities	(200)	. (c	C		0	0	32,906
Postern care and a conceptory and Chief Than Pensions	32,906	0 156	1,062	0	0	1,191	0	0
Intercompany payables	ET'D	24.	7 505	163	1,375	5,667	Z	71,316
TOTAL LIABILITIES	70,867	157	0,5,5				c	30
Minority Interest		0	0	30	0	-	o.	3
SHAREHOLDERS' EQUITY	¢	c	C	0	0	0	'n	٧,
Common Stock		° C	0	0	0	0		0 (
Class A Common Stock to be issued to the ESOP Trust			2,708	125	2	5,709	0 15 740	21.200
Common Stock	1,601		1,847	0 6	1,004	(301)	(5,346)	(11,097)
Additional Paid in Capital Retained Earnings (Deficit)	(725)	<u> </u>	(860)	0	0	0	0	0 710
Minimum Pension Liability Adjustment) F		1,192	(4)	(14)	15	0	717
Foreign Currency Translation Adjustment		0	0	0	0		(660)	(2/0)
Less TreasuryTOTAL_COMMON SHAREHOLDERS' EQUITY	706	(2)	4,881	95	1,165	5,423	9,701	9,626
TOTAL LIABILITIES, PREFERRED	\$71,774	\$155	\$8,477	\$288	\$2,540	\$11,090	\$9,765	\$80,972
			120	(\$35)	\$686	(\$494)	\$8,100	\$9,063
WORKING CAPITAL	\$8,863	70\$	100.49					ı

* NFC Irvine Plant also includes the results of National Forge Export, LTD, and NFIP, Inc.

National Forge ' ny Holdings, Inc. Co. aated

		FY 00 Business	Plan	\$86,657	1	17,061	770.0	1.690	1,668	502	71,616	15,041	3,943	6,014	5,084	1,263	2,214	12	1,595	∞	\$1,587		100%	19.7	10.0	48.3	2.5	82.6	17.4	11.5	5.9	1.5	2.6	0.0	0.0	1.8	
		% Better or (Worse)	Than FY 99	(2.6) %	!	(5.5) (5.4)	(8.7)	(0.5) (4.5)	(18.2)	(169.0)	(3.1)	(25.5)	` (£ ()	(0.3)	(66.4)	(394.7)	32.3	266.7	(152.1)	104.2	(174.4) %																
Results of Operations For the first quarter ended September 30, 1998		Better or (Worse)	Than FY 99	(\$476)		(26)	(156)	(43)	(133) (55)	(49)	(462)	(938)		<u>4</u>) (5)	(944)	(796)	219	σ.	(1 013)	221	(\$792)		0.0%	(0.7)	(1.1)	(1.5)	(0.9) (0.9)	(4.7)	(F 4)	(+; t) (+ 0)	(4.9)	(5.5)	1.1	0.0	(5.5)	(5.4)	()·t)
	First	Quarter FY 1999	Restated	\$18,513		3,981	1,785	8,553	302	292	14,833	3.680	300,0	1.463	1 421	\$ t	729	. en	999	212	\$454		100%	21.5	9.6	46.2	0.1	1 08	100	19.9	17.7	7.7	3.7	0.0	3.6	1.1	6.7
	เก เกอนระเกษร)	% Better or (Worse)	Than Plan	(16.1) %		4.4	10.3	13.8	33.5	62.5	12.2	(3.2)	(0.40)	۲/.۲ و ه	(8 8)	(6.59)	(17.4)	266.7	7.00.7	350.0	(148.3) %	As a percent of net sales															
	(dollars	Better or -	Than Plan	(\$3,469)		186	224	1,381	159	بر در 1	2 133	11 336	(066,1)	17/4 58	100	(1,104)	(55)	901	0 0 0	(1,045)	(\$1,038)	As a perc	0.0%	(2.7)	(c.6)	(1.3)	5.0	0.0	(5.6)	(3.8)	(0.9)	(4.7)	(0.6)	0.0	(5.2)	0.0	(5.1)
r the first quart		First	FY 00 Plan	\$21,506		4,193	2,165	7.6,6	475	410	207	010	8,0,4	972	1,581	1,501	316	900	5	698	\$700		100%	10 \$	10.1	46.4	2.2	2.9	81.0	19.0	11.6	4.7	1.5	0.0	3.2	(0.0)	3.3
For		First	FY 2000	\$18,037		4,007	1,941	8,596	316	357	100 31	527.67	7,147	798	1940/	//4	371	458	(3)	(347)	(\$338)		100%	,	10.8	47.7	1.8	4.7	84.8	15.2	12.6	2.6	2.7	(0.0)	(1.9)	(0.0)	(1.9)
				Not Color	Cost of colors	Cost of sales: Material	Tabor	Overhead	Errors and defects	Period costs	Research and development	Cost of sales	Gross profit	Selling	Administrative	Operating profit	Other expense (income)	Interest expense	Minority interest	Pre-tax profit (loss)	Laxes Net income (loss)		Net Sales	Cost of sales:	Material	Overhead	Errors and defects	Other costs	Cost of sales	Gross profit	Selling and administrative	Operating profit	Other expense (income)	Interest expense Minority interest	Pre-tax profit (loss)	Taxes	Net income (Joss)

Dring nations have heen restated to reflect inventory calculated on a FIFO basis.

National Forge Company Holdings, Inc. Consolidated Balance Sheet

Carrent Liabilities:		September 30, 1999 Actual	September 30, 1998 Restated
S277 54,650 Accounts receivable 14,911 14,924 Inventories:	ASSETS		· · · · · · · · · · · · · · · · · · ·
Accounts receivable Inventoriers Inventoriers	Current Assets:		
Inventories 12,926		·	
Note in process 12,926 13,728 13,028 13,028 13,028 13,028 13,028 13,028 13,028 13,028 13,028 14,028 1		14,011	14,934
1,003 1,042 1,043 1,042 1,043 1,042 1,043 1,042 1,043 1,04		12 026	12 779
Total Inventories	·		
Total Inventories			·
Pupul expenses 796	Supplies		
Pepald expenses 796	Total Inventories	16,197	17,132
Deferred income taxes 3,1,531 38,199 Property, Plant and Equipment - net 30,481 28,633 Deferred Income Taxes 0		796	1,177
Poperty, Plant and Equipment - Det 0,481 28,631 28,631 28,631 26,632 29,221 9,706 6,235 29,221 9,706 20,235 29,239 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 20,436 29,739 20,436 29,739 20,436 20,4		0	306
Poperty, Plant and Equipment - Det 0,481 28,631 28,631 28,631 26,632 29,221 9,706 6,235 29,221 9,706 20,235 29,239 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 10,436 29,739 20,436 29,739 20,436 29,739 20,436 20,4	M + 1 Course A Assorts	31.531	38.199
Deferred Incentor Taxes 0	Total Current Assets	31,331	20,177
1,000 1,00	Property, Plant and Equipment - net	· · · · · · · · · · · · · · · · · · ·	
Concept Section Sect	Deferred Income Taxes		
TOTAL ASSETS \$80,972 \$33,209	Other Assets		
LIABILITIES	Goodwill	9,739	10,436
Notes payable	TOTAL ASSETS	\$80,972	\$93,209
Sample	LIABILITIES		
Sample	Current Liabilities:		
Section Sect	Notes payable		
Salaries, wages and commissions 2,577 2,612 Accrued taxes on income 567 131 Accrued pension 17 58 Castomer deposits 241 243 Deferred Income Taxes 364 376 Other accrued liabilities 5,126 4,551 Total Current Liabilities 22,468 21,780 Long Term Debt 16,747 21,202 Pension and Other Noncurrent Liabilities (805) 297 Postreitrement and Postemployment Benefits (805) 297 Postreitrement and Postemployment Benefits 32,906 32,805 TOTAL LIABILITIES 71,316 76,084 Minority Interest 30 37 SHAREHOLDERS' EQUITY Common Stock 5,01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 3 4 3 3 3 Common Stock Class A, 2,01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 0 4 3 3 3 3 3 3 3 3 3	Current portion of long term debt	· ·	· ·
Accrued taxes on income			
Accrued pension			-
Customer deposits 241 343 Deferred Income Taxes 364 376 Other accrued liabilities 5,126 4,551 Total Current Liabilities 22,468 21,780 Long Term Debt 16,747 21,202 Pension and Other Noncurrent Liabilities (805) 297 Postretirement and Postemployment Benefits 32,906 32,805 TOTAL LIABILITIES 71,316 76,084 Minority Interest 30 37 SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Soutstanding as of September 30, 1999 0 4 and 384,117 Shares Outstanding as of September 30, 1998 0 4 and 384,117 Shares Outstanding as of September 30, 1998 0 4 and 384,117 Shares Outstanding as of September 30, 1999 0 4 and 384,117 Shares Outstanding as of September 30, 1999 0 4 and 384,117 Shares Outstanding as of September 30, 1999 0 4 and 384,117 Shares Outstanding as of September 30, 1998 0 2 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 0 2 Common Stock to be issued to the ESOP Trust 0 0 0 Additional Paid in Capital 21,200 17,400 17,400 Retained Earnings 11,097 573 17,000 17,400			
Deferred Income Taxes 364 376			
Chera carried liabilities 5,126 4,551			
Long Term Debt Pension and Other Noncurrent Liabilities (805) 297 Postretirement and Postemployment Benefits Other Than Pensions 32,906 32,805 TOTAL LIABILITIES 71,316 76,084 Minority Interest 30 30 37 SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 5 0 and 0 Shares Outstanding as of September 30, 1999 5 0 4 4 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class A, 5 .01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1998 0 4 4 and 384,117 Shares Outstanding as of September 30, 1998 0 2 4 and 384,117 Shares Outstanding as of September 30, 1998 0 4 4 and 184,117 Shares Outstanding as of September 30, 1998 0 2 2 Common Stock, Class B, 5 .01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1999 10 2 2 Common Stock to be issued to the ESOP Trust 10,000,000 Shares; 0 Shares Outstanding as of September 30, 1998 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			
Pension and Other Noncurrent Liabilities (805) 297 Postretirement and Postemployment Benefits Other Than Pensions 32,906 32,805 TOTAL LIABILITIES 71,316 76,084 Minority Interest 30 30 37 SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 5 0 and 0 Shares Outstanding as of September 30, 1999 5 0 and 0 Shares; 0 Shares Outstanding as of September 30, 1999 0 0 4 and 384,117 Shares Outstanding as of September 30, 1999 0 0 4 and 384,117 Shares Outstanding as of September 30, 1999 0 0 14 and 184,117 Shares Outstanding as of September 30, 1999 0 0 14 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 0 0 14 Additional Paid in Capital 21,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Total Current Liabilities	22,468	21,780
Pension and Other Noncurrent Liabilities (805) 297 Postretirement and Postemployment Benefits Other Than Pensions 32,906 32,805 TOTAL LIABILITIES 71,316 76,084 Minority Interest 30 30 37 SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 5 0 0 and 0 Shares Outstanding as of September 30, 1999 1 0 0 4 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		16 747	21 202
Postreitrement and Postemployment Benefits Other Than Pensions 32,906 32,805			
Other Than Pensions 32,906 32,805		(412)	
Minority Interest SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998 Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1999 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1998 Common Stock to be issued to the ESOP Trust 21,200 17,400 Retained Earnings (11,997) 573 Minimum Pension Liability Adjustment 10 (571) Foreign Currency Translation Adjustment 1217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209		32,906	32,805
SHAREHOLDERS' EQUITY Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998 Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1998 Common Stock Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1998 Common Stock to be issued to the ESOP Trust 0 0 0 Additional Paid in Capital Retained Earnings (11,097) S73 Minimum Pension Liability Adjustment 0 (571) Foreign Currency Translation Adjustment 217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088	TOTAL LIABILITIES	71,316	76,084
SHAREHOLDERS' EQUITY Common Stock, 5.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998 Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1998 common Stock to be issued to the ESOP Trust 0 0 0 Additional Paid in Capital Retained Earnings (11,097) S73 Minimum Pension Liability Adjustment Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY \$80,972 \$9,626 FOTAL LIABILITIES AND EQUITY \$80,972 \$93,209	Minority Interest	30	37
Common Stock, \$.01 Par Value-Authorized 635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998 Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1998 common Stock to be issued to the ESOP Trust 0 0 0 Additional Paid in Capital Retained Earnings (11,097) Signal Minimum Pension Liability Adjustment 1 Capital Currency Translation Adjustment 1 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY \$80,972 \$93,209			
635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998 Common Stock, Class A, \$.01 Par Value-Authorized 635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1998 Common Stock to be issued to the ESOP Trust 0 0 Additional Paid in Capital Retained Earnings (11,097) Minimum Pension Liability Adjustment Foreign Currency Translation Adjustment 1 0 (571) Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209			
635,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 384,117 Shares Outstanding as of September 30, 1998 Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 and 140,346 Shares Outstanding as of September 30, 1998 Common Stock to be issued to the ESOP Trust 0 Additional Paid in Capital Retained Earnings (11,097) S73 Minimum Pension Liability Adjustment 0 Foreign Currency Translation Adjustment Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY \$80,972 \$93,209	635,000 Shares; 475,708 Shares Outstanding as of September 30, 1999 and 0 Shares Outstanding as of September 30, 1998	5	0
Common Stock, Class B, \$.01 Par Value-Authorized 1,000,000 Shares; 0 Shares Outstanding as of September 30, 1999 0 2 and 140,346 Shares Outstanding as of September 30, 1998 0 0 0 Common Stock to be issued to the ESOP Trust 0 0 0 Additional Paid in Capital 21,200 17,400 Retained Earnings (11,097) 573 Minimum Pension Liability Adjustment 0 (571) Foreign Currency Translation Adjustment 217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 (699) (750 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209	635,000 Shares; 0 Shares Outstanding as of September 30, 1999	0	4
and 140,346 Shares Outstanding as of September 30, 1998 Common Stock to be issued to the ESOP Trust Additional Paid in Capital Retained Earnings (11,097) S73 Minimum Pension Liability Adjustment Foreign Currency Translation Adjustment Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY S80,972 S93,209 TOTAL LIABILITIES AND EQUITY S80,972 S93,209	Common Stock, Class B, \$.01 Par Value-Authorized		
Common Stock to be issued to the ESOP Trust 0 0 17,400 Additional Paid in Capital 21,200 17,400 Retained Earnings (11,097) 573 Minimum Pension Liability Adjustment 0 (571 Foreign Currency Translation Adjustment 217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 (699) (750 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209		n	1
Additional Paid in Capital 21,200 17,400 Retained Earnings (11,097) 573 Minimum Pension Liability Adjustment 0 (571) Foreign Currency Translation Adjustment 217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 (699) (750 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209	and 140,346 Shares Outstanding as of September 30, 1998		
Retained Earnings (11,097) 573 Minimum Pension Liability Adjustment 0 (571) Foreign Currency Translation Adjustment 217 430 Less Common Stock held in Treasury, 15,682 shares as of September 30, 1998 (699) (750 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209			
Minimum Pension Liability Adjustment Foreign Currency Translation Adjustment Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209			
Foreign Currency Translation Adjustment Less Common Stock held in Treasury, 15,682 shares as of September 30, 1999 and 18,872 shares as of September 30, 1998 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209			(571)
Less Common Stock held in Treasury, 15,682 shares as of September 30, 1998 (699) (750 TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209		217	430
TOTAL SHAREHOLDERS' EQUITY 9,626 17,088 TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209	Less Common Stock held in Treasury, 15,682 shares as of	(600)	(750
TOTAL LIABILITIES AND EQUITY \$80,972 \$93,209	September 30, 1999 and 18,872 shares as of September 30, 1998	(022)	(730
CO 0/2 C1/ 41/	TOTAL SHAREHOLDERS' EQUITY	9,626	17,088
CO 067 536 410	TOTAL LIABILITIES AND EQUITY	\$80,972	\$93,209
WORKING CAPITAL \$9,063 \$16,419	-		
	WORKING CAPITAL	\$9,063	\$16,419

Consolidated

Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

	First qu	arter
	FY 2000	FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	(\$338)	\$454
Adjustment to reconcile net income to net cash		
provided by operating activities:		
Provision for Common Stock to be issued to the ESOP Trust	1,365	1,235
Depreciation	808	706
Amortization	257	263
Deferred taxes	0	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	1,388	1,953
(Increase) decrease in inventories	(952)	(261)
(Increase) decrease in prepaid expenses	(712)	(706)
Increase (decrease) in accounts payable	(22)	(378)
Increase (decrease) in income taxes	(114)	(38)
Increase (decrease) in customer deposits	124	16
Increase (decrease) in all other current liabilities		
(excluding borrowings)	(2,307)	(2,973)
Other net	33	(98)
Net Cash Provided By (Used For) Operating Activities	(470)	173
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	(822)	(1,490)
Net Cash Used In Investing Activities	(822)	(1,490)
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	1,089	(493)
Repurchase of stock	0	(117)
Net Cash Provided By Financing Activities	1,089	(610)
Change in cumulative foreign currency		
translation adjustment	110	65
Increase (Decrease) In Cash And Cash		
Equivalents	(\$93)	(\$1,862)

Summary of Loans Outstanding -Irvine (000's Omitted)

	9/30/99	6/30/99	3/31/99	12/31/98	9/30/98							
Notes payable and current portion of long-term debt												
Revolver Term Loan Capitalized Leases Gas Pipeline MELF-Pa loan	\$ 2,595 3,143 - - 86	\$ 786 3,143 - - 85	\$ - 3,149 - 7 84	\$ - 2,946 - 44 83	\$ - 4,762 3 74 81							
Warrant Amortization Total	\$ 5,824	\$ 4,014	\$ 3,240	\$ 3,073	\$ 4,920							
Long-Term Debt Term Loan Capitalized Leases Gas Pipeline MELF-Pa loan	\$ 12,916 - - 160	\$ 13,702 - - - 182	\$ 14,482 - - 204	\$ 15,274 - - 225	\$16,059 - - 247							
Warrant Amortization Total	\$ 13,076	\$ 13,884	\$ 14,686	\$15,499	\$16,306							
Total Debt		ф 7 00	r.	ው	ው							
Revolver Term Loan Capitalized Leases Gas Pipeline MELF-Pa loan Warrant Amortization Total	\$ 2,595 16,059 - 246 - \$ 18,900	\$ 786 16,845 - 267 - \$ 17,898	\$ - 17,631 7 288 \$ 17,926	\$ - 18,220 - 44 308 - \$18,572	\$ - 20,821 3 74 328 - \$21,226							
Total Cash and cash equivalents	\$ 49	\$ 348	\$ 5,940	\$ 1,697	\$ 4,051							
Net Borrowings	\$ 18,851	\$ 17,550	\$11,986	\$16,875	\$17,175							

LLC 10/27/99 Loans999

Summary of Loans Outstanding -Mitchell, Shackleton & Co. Ltd. (000's Omitted)

	9/30/99		6/30/99		3/3	31/99	12/	31/98	9/30/98		
Notes payable and current portion of long-term debt											
Bank Overdraft	\$	715	\$	885	\$	819	\$	536	\$	976	
Business Development Loan		43		40		40		40		40	
Capital Equipment Loans		66		151		250		317		401	
Capital Equipment Leases		187		227		227		229		229	
	\$	1,011	\$	1,303	\$	1,336	\$	1,122	\$	1,646	
Long-Term Debt											
Business Development Loan	\$	27	\$	36	\$	48	\$	60	\$	72	
Capital Equipment Loan	Ψ	138	Ψ	145	Ψ	147	Ψ	182	Ψ	215	
• • •		3		11		71		133		196	
Capital Equipment Lease	-\$	168	\$	192	-\$	266	\$	375	-\$	483	
	Ψ	100	===	132	Ψ		<u>Ψ</u>	=====	Ψ		
Total Debt											
Bank Overdraft	\$	715	\$	885	\$	819	\$	536	\$	976	
Business Development Loan		70		76		88		100		112	
Capital Equipment Loan		204		296		397		499		616	
Capital Equipment Lease		190		238		298		362		425	
	\$	1,179	\$	1,495	\$	1,602	\$	1,497	\$	2,129	
Total Coch and each aguivalents	\$	5	\$	5	\$	6	\$	7	\$	10	
Total Cash and cash equivalents	φ		Ψ		Ψ		Ψ		=		
Net Borrowings	\$	1,174	\$	1,490	\$	1,596	\$	1,490	<u>\$</u>	2,119	
Exchange Rate		1.6471		1.5773		1.6118	,	1.6595		1.7000	